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BEFORE THE ARIZONA CORPORATION COMMISSION

2003 APR -4 A 10:19

MARC SPITZER
Chairman

JIM IRVIN
Commissioner

WILLIAM A. MUNDELL
Commissioner

JEFF HATCH-MILLER
Commissioner

MIKE GLEASON
Commissioner

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
THE ARIZONA ELECTRIC DIVISION OF
CITIZENS COMMUNICATIONS COMPANY TO
CHANGE THE CURRENT PURCHASED POWER
AND FUEL ADJUSTMENT CLAUSE RATE, TO
ESTABLISH A NEW PURCHASED POWER AND
FUEL ADJUSTMENT CLAUSE BANK, AND TO
REQUEST APPROVED GUIDELINES FOR THE
RECOVERY OF COSTS INCURRED IN
CONNECTION WITH ENERGY RISK
MANAGEMENT INCENTIVES.

DOCKET NO. E-01032C-00-0751

IN THE MATTER OF THE APPLICATION OF
CITIZENS COMMUNICATIONS COMPANY,
ARIZONA GAS DIVISION, FOR A HEARING TO
DETERMINE THE FAIR VALUE OF ITS
PROPERTIES FOR RATEMAKING PURPOSES,
TO FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO PROVIDE SUCH
RATE OF RETURN.

A
DOCKET NO. G-01032C-02-0598

IN THE MATTER OF THE JOINT APPLICATION)
OF CITIZENS COMMUNICATIONS COMPANY)
AND UNISOURCE ENERGY CORPORATION) DOCKET NO. E-01933A-02-0914
FOR THE APPROVAL OF THE SALE OF) DOCKET NO. E-01032C-02-0914
CERTAIN ELECTRIC UTILITY AND GAS) DOCKET NO. G-01032A-02-0914
UTILITY ASSETS IN ARIZONA, THE TRANSFER)
OF CERTAIN CERTIFICATES OF CONVENIENCE)
AND NECESSITY FROM CITIZENS)
COMMUNICATIONS COMPANY TO UNISOURCE)
ENERGY CORPORATION, THE APPROVAL OF)
THE FINANCING FOR THE TRANSACTIONS AND)
OTHER RELATED MATTERS.)

Memorandum in Reply

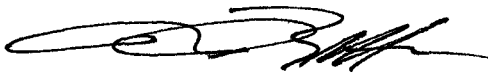
Pursuant to A.A.C. R14-3-101.A, A.A.C. R14-3-106.K and Rule 7.1(a) of the Arizona Rules of Civil Procedure, and for the reasons that follow, Southwest Gas Corporation ("Southwest") respectfully submits this memorandum in reply to the Joint Applicants' opposition to the Supplemental Application for Leave to Intervene filed by Southwest.

The purpose of this filing is to clarify any potential misunderstanding regarding Southwest's interest and concern which may arise as a result of statements made in the Joint Applicants' filing in opposition. The Joint Applicants assert: "This case is not the proper forum for addressing Southwest Gas' concerns about its special retail contract with TEP."

In Southwest's Supplemental Application for Leave to Intervene, no mention whatsoever is made of the contract between Southwest and TEP. Moreover, notwithstanding the Joint Applicants' implications to the contrary, Southwest is not seeking any relief in this proceeding associated with the contractual relationship between Southwest and TEP. Rather, Southwest's interest and concern is identical to the interest and concern of the Commission and all of the parties to this proceeding – i.e., whether or not TEP's financial

status and TEP's ability to provide a safe, reasonable and adequate service may be impaired by virtue of (1) a \$50 million loan to its affiliate UniSource and (2) a relaxation of the current 30% equity-infusion requirement embodied in the Commission-approved settlement in Decision No. 62103.

Respectfully submitted this 4th day of April, 2003.



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing **Memorandum in Reply** by mailing a copy thereof to each of the following individuals:

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Dated this 4th day of April, 2003



Andrew W. Bettwy